

CARES Act
Paycheck Protection Flexibility Act
As of June 4, 2020
“PPP”

The Paycheck Protection Program (“PPP”) provides SBA loans to Small Businesses with a potential for some, or all, of the loan proceeds being forgiven. The purpose of the program is to help employers retain their employees at their current base pay.

On June 3, 2020, the Senate passed the House’s updated PPP legislation allowing more flexibility in the forgiveness terms over the original legislation. The new legislation is called the **Paycheck Protection Flexibility Act**. We are providing a summary of the key points of the new legislation below and once the law is signed by the President, we will provide more extensive information regarding the legislation and how it affects the forgiveness provisions.

- PPP borrowers can **elect** to extend the coverage period from 8 weeks to 24 weeks. The end of the 24-week period cannot extend beyond December 31, 2020.
- The requirement that 75% of the funds be used to cover payroll costs was dropped to a 60% requirement. However, if you do not spend at least 60% on payroll you are not eligible for any amount to be forgiven.
- Under the original legislation, borrowers were required by June 30, 2020 to:
 - restore their workforce (number of employees) to the same level as their pre-pandemic workforce, and
 - restore employee wages to equal at least 75% of their wage level prior to the pandemic. Employers now have until the end of the 24-week period to fully restore workforce and wage levels in order to meet the forgiveness requirements.
- The new legislation allows for two exceptions to restoring a borrower’s workforce and still allowing for full PPP loan forgiveness:
 - Inability to find qualified workers
 - Inability to restore business operations to levels equivalent to operating levels as of February 15, 2020, because of Covid-19 related operating restrictions.
- New borrowers can repay unforgiven loan amounts over 5 years at a maximum 1% rate. Existing borrowers may request loan modification terms to extend their loan repayments out 5 years vs. the original 2-year repayment requirement. Both the borrower and the lender must agree to the loan modification.
- Borrowers under the PPP loan program can defer their payroll taxes as allowed under other legislation. This was prohibited under the original PPP legislation.